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October 10, 2013

California Department of Water Resources
Division of Integrated Regional Water Management
Financial Assistance Branch
Post Office Box 942836
Sacramento, CA 94236

Attention: Keith Wallace (Keith.Wallace@water.ca.gov)

Dear Mr. Wallace:

Thank you for the opportunity to discuss the Mojave Integrated Regional Water Management Region (IRWM) Proposition 84 Round 2 Implementation Grant Application and provide feedback on its scoring. We feel that there are substantial elements of our grant application that were misunderstood, misinterpreted, or overlooked. We think there are significant corrections to be made in the evaluation of the Work Plan, Technical Justification, Benefits and Costs Analysis, and Program Preferences. In addition to commenting on the scoring for our application for projects within the Lahontan and Colorado Funding Areas, we want to share our broader concerns regarding the direction and administration of IRWM Plan and Proposition 84 programs.

1. Grant Application Scoring

We believe that the review of our grant application was not interpreted accurately which had a significant impact on our scoring. Our comments fall into these general categories:

- Misinterpretation of the Project purpose, function and need for legal mandates
- Overlooked information that the reviewers report as missing
- Information that a reviewer would like to see, but was not required by grant guidelines
- Summary tabular presentation methods that garnered a perfect score in Round 1, but are now deemed deficient

Key parts of the DWR summary evaluation are copied into the appended **Attachment 1** together with MWA's responses presented in italics.

2. The Transfer of Allocated Grant Funds to Different Funding Areas and New Statewide Competition Approach

The Proposal Solicitation Package (PSP) for Round 2 funds was published in November 2012. The *Anticipated Maximum Allocation* for the Lahontan Funding Area for Round 2 was \$3,930,000. The PSP indicated that the "DWR will strive to allocate the Proposition 84 Implementation Grant funds to each funding area consistent with the allocation schedule provided in Proposition 84 and in proportion to the amount of total allocation (i.e. \$3,930,000 for the Lahontan Funding Area).

Four IRWM Plan regions within the Lahontan Funding Area submitted grant applications for Round 2. The Mojave IRWM was the highest scoring applicant within the Lahontan Funding Area and was recommended to receive Round 2 funds at 50% of the requested amount (recommended award of \$1,500,000 or a little over a third of the Round 2 funds allocated to the Lahontan Funding Area). No other IRWM Regions within the Lahontan Funding Area were recommended to receive Round 2 funds. As a result, \$2,430,000 that was to be allocated to the Lahontan Funding Area for Round 2 was not recommended to be awarded to any of the applicants within the Funding Area and transferred to other Funding Areas within the state.

Lahontan Funding Area Round 2 Recommendations					
IRWM Region	Applicant	Score	Grant Request	Recommended Award	% of Grant Request
Mojave	Mojave Water Agency	49	\$3,000,000	\$1,500,000	50%
Antelope Valley	Boron Community Services District	47	\$427,000	\$0	0%
Tahoe Sierra	Tahoe Regional Planning Agency	46	\$3,260,156	\$0	0%
Inyo-Mono	Inyo-Water Department	45	\$2,234,330	\$0	0%

Several IRWM Regions were overfunded above the "Anticipated Maximum Allocation" or amount of Round 2 funds each Funding Area could likely expect to be available. DWR staff opted to underfund certain regions and overfund other regions based on overall grant scoring and implemented a statewide competition approach. This statewide competitive scoring method is counter to any language included in the Round 2 PSP and to the best of our knowledge was not discussed with potential applicants at the numerous workshops and meetings hosted by DWR staff regarding Proposition 84 and the IRWM Program. This approach is also counter to the Bond language itself. Regions recommended for overfunding in Round 2 are listed below.

Tulare Lake Funding Area Round 2 Recommendations					
IRWM Region	Applicant	Score	Grant Request	Recommended Award	% of Grant Request
Upper Kings	Upper Kings Basin IRWM Authority	70	\$8,734,000	\$8,734,000	100%
Kern County	Tehachapi-Cummings County Water Dist.	67	\$8,011,898	\$8,011,898	100%
Los Angeles – Ventura Funding Area Round 2 Recommendations					
Greater Los Angeles	Los Angeles County Flood Control Dist.	67	\$23,433,962	\$23,433,962	100%
Upper Santa Clara River	Castaic Lake Water Agency	62	\$7,006,481	\$7,006,481	100%

Beyond the inequities of utilizing a statewide scoring approach that is counter to the Bond language, the Round 2 PSP and the message from DWR staff throughout this whole process, the relationship between an application score and recommended grant awards is not apparent. For example, the two applicants within the Santa Ana Funding Area were recommended for funding; 100% funding with a score of 50 and 50% funding with a score of 42. The four IRWM Round 2 grant applicants within the Lahontan Funding Area received scores ranging from 49 to 45 and only the top scoring applicant (49) was recommended to receive funding at 50% of the requested amount. No Round 2 funds were recommended for the other three IRWM applicants within the Lahontan Funding Area. Based on the above, we do not understand the rationale to DWR's method of statewide competition and do not see any consistency regarding the methodology of scoring to recommended grant distributions.

Santa Ana Funding Area Round 2 Recommendations					
IRWM Region	Applicant	Score	Grant Request	Recommended Award	% of Grant Request
South Orange County Watershed Management Area	County of Orange	50	\$500,000	\$500,000	100%
Santa Ana Watershed Project Authority	Santa Ana Watershed Project Authority	42	16,667,000	\$8,333,500	50%

3. Specific Funding Areas May Not Be Competitive Across the State

The tight range of applicant scores within the Lahontan Funding Area demonstrates how Funding Areas have their own localized needs, challenges, advantages and disadvantages that are unique to different parts of the state. The fact that the four applications from the Lahontan Funding Area were within approximately 2 points of the average application score (Range = 49 to 45, Average Score = 47), demonstrates how **locally** competitive the process was in the funding area and exemplifies how particular geographies may never be competitive using this statewide scoring approach. Disparities in scoring geographies are likely if particular Funding Areas are comprised of disadvantaged communities, locally weaker economies and less dense populations which can result in lower application scoring potentials compared to other geographies. This is expected and is the purpose of establishing Funding Areas.

4. Administration of Round 2 is Counter to DWR Stated Direction for the IRWM Program

The recommended distribution of Round 2 grant awards appears to be directly counter to the direction of the IRWM Program by DWR staff. In late 2012, DWR hosted "IRWM Leadership and Learning Exchange Workshops" across the state. These workshops used professional facilitators to invite local IRWM regions to work together as Funding Areas and promote more intra-Funding Area collaboration. This message was reinforced in subsequent DWR hosted Proposition 84 Round 2 workshops.

The Lahontan Funding Area took the direction from DWR staff very seriously and independently held a number of meetings to coordinate Round 2 applications with the specific intent to avoid a "winner take all" approach. These meetings were attended by representatives from each of the four IRWM regions within the Lahontan Funding Area. Although most of the individual IRWMs had projects that could utilize the full \$3,930,000 allocation, each of the IRWMs made a decision to reduce their grant request to below the anticipated allocation and allow neighboring IRWMs to receive some funding for their projects. Although the IRWMs were still going to compete for the requested funds,

each IRWM agreed that the collaboration process for Round 2 was valuable and committed to more coordination and collaboration regarding grant requests for Round 3. Only 38% of the \$3,930,000 allocation was recommended by DWR for award for the Lahontan Funding Area. The Lahontan Funding Area received the lowest recommended award percentage in the state.

The methodology employed for the Round 2 recommendations is confusing, not transparent, appears biased geographically and most importantly is blatantly counter to the intra-Funding Area collaboration message promoted by DWR staff. With no reasonable degree of certainty to Funding Areas as to what grant funds are available, coordination of applications within a Funding Area is virtually impossible. In the case of the Mojave IRWM, the project we are requesting funding for is estimated to cost approximately 74,686,701. The Mojave IRWM reduced our original Round 2 grant request from \$3,930,000 to \$3,000,000, specifically for the benefit of neighboring Funding Area IRWM who are presently recommended to receive no Round 2 funding. It appears that the cost of Funding Area collaboration and reducing our original requested grant amount has resulted in a loss to the Mojave IRWM of \$465,000 at 50% recommended award or \$930,000 at 100% award.

5. Conclusions

The Mojave IRWM Region requests that our Round 2 application be rescored in light of apparent flaws in the review and that the revised score be acknowledged in the recommended Round 2 grant distribution. This is especially important to the Mojave IRWM since we span the Lahontan and Colorado Funding Areas and receive a single score for both areas. An error in scoring on one project will affect our ranking in both Funding Areas.

The Mojave IRWM Region is requesting that its highest score within the Lahontan Funding Area be recognized and the full grant request be honored. Furthermore, in light of the fact that the remainder of IRWMs in the Lahontan Funding Area scored higher than other applications that are recommended for funding (i.e. Santa Ana Funding Area with a score of 42), we suggest that the remaining \$930,000 be distributed to the other Lahontan Funding Area applicants.

Please contact me at (760) 946-7000 if I can provide additional information. Thank you for your consideration

Sincerely,

MOJAVE WATER AGENCY

Lance Eckhart

Principal Hydrogeologist

Attachment

Attachment 1

DWR PROPOSAL EVALUATION <with MWA commentary>

Proposition 84 Integrated Regional Water Management (IRWM) Grant Program

Applicant	Mojave Water Agency	Amount Requested	\$ 8,240,000
Proposal Title	Mojave Water Agency 2013 Proposition 84 Round 2 IRWM Implementation Grant	Total Proposal Cost	\$ 200,561,701

Implementation Grant, Round 2, 2013

PROJECT SUMMARY

The proposal includes two projects claiming the following benefit types: water supply, water quality, and flood damage reduction. The projects include: (1) Hi-Desert Water District Wastewater Treatment and Water Reclamation Project and Grant Reporting Tasks¹, and (2) Victor Valley Wastewater Reclamation Authority Subregional Reclamation Project².

WORK PLAN

The criterion is less than fully addressed and is not supported by thorough documentation or logical rationale.

The goals and objectives of each project of the proposal are stated in terms of meeting existing IRWM regional goals, but

- these regional goals are extremely broad (i.e., groundwater levels, water supply cost), and
- specific information is not adequately presented on how the projects will help meet these objectives.

Reviewers seem to be referencing the IRWMP Summary Objectives presented in Table 3-1. The detailed IRWMP Objectives are presented in the Applicant Information Tab and in the 2005 IRWM Plan, included as Att2_IG2_Adopt_2of2. Moreover, the PSP instructions ask about how the Proposal goals and objectives meet the regional goals and objectives, and these are explained in considerable detail in Sections 3.1.2 and 3.1.3 on pages 3-4 through 3-7 of the Work Plan. This presentation was modeled on our successful Round 1 application which received a perfect score (15/15) for the Work Plan.

A tabulated overview of each project is presented, but

¹ In this Attachment, Project 1 is the Hi-Desert Water District Wastewater Treatment and Water Reclamation Project, located in the adjudicated Warren Valley Basin within the State's Colorado River Funding Area

² In this Attachment, Project 2 is the Victor Valley Wastewater Reclamation Authority Subregional Reclamation Project, located in the adjudicated Mojave River Basin within the State's Lahontan Funding Area

- the information of the projects and project status is minimal. For instance, for Project 2, the status given is “ready to construct; bid documents secured,” but without indicating the status of environmental review, permits required, or plans and specs for the project.

The responses were requested to be brief. As indicated, Project 2 (VWRA²) is ready to construct with bid documents being assembled at the time of the application. The project could not be constructed without environmental review and permits. The tabular data is supplemented by bulleted status items in section 3.1.7 of the Work Plan which explicitly states that preliminary design, biological resources assessment, cultural resources assessment, air quality assessment, and an environmental impact report have been completed. Completed studies and environmental documentation are discussed in section 3.1.8, and key documents were cross-referenced in the Work Plan and included in the application as Figure 3-6, and attachments Att7_IG2_TechJust_3of8, Att7IG2_TechJust_4of8, Att7_IG2_7of8, and Att7_IG2_TechJust_IG2_Tech_8of8. Permitting and environmental documentation is further detailed in sections 3.2.6 and 3.3.5 of the Work Plan, and cross-referenced and further detailed in Att3_IG2_Workplan_3of3. This brief presentation of project status was modeled on our successful Round 1 application which received a perfect score (15/15) for the Work Plan.

A map showing relative project locations is presented. The discussion of the synergies or linkages only states there are no linkages between the projects, yet

- the applicant states on page 1 that both projects seek to serve disadvantaged communities by reclaiming wastewater for recharging groundwater aquifers, so there would appear to be linkages and synergies by virtue of their additive effects in an over-drafted groundwater basin.
- In addition, Project 2 consists of two identical reclamation plants in the same service area, so presumably there ought to have been some consideration to optimizing their respective capacities and locations.

As shown in the project map, the two projects 60 miles apart, in two distinct hydrologic regions and in distinct, unconnected groundwater basins. As noted throughout the application, the two VWRA² plants are identically sized to simplify and reduce the cost of engineering design and construction. As noted throughout the application (see Project Tab and Work Plan page 3-3), the two plants are scalping plants that do not use all available flow, but rather have been sized such that a constant flow can be treated year-round.

Tasks include some appropriate deliverables and reporting submittals, such as quarterly and final progress reports.

- However, description of construction activities is inadequate. No details are provided for either project on scope of construction, such as subtasks, steps, equipment involved, project components, or project footprint, by which to concur that the projects are implementable.
- Plans and specifications are referenced for Project 1, but are not included or referenced for Project 2.

As cross-referenced in section 3.3.7 of the Work Plan, the Preliminary Design Reports for the two Project 2² scalping plants are included as attachments Att7_IG2_TechJust_7of8 and Att7_IG2_TechJust_7of8.

- The application does not include Data Management and Monitoring Deliverables consistent with the IRWM Plan Standards.

Data management and monitoring deliverables are reported in Table 3-4 of the Work Plan in a tabular format modeled on our successful Round 1 application which received a perfect score (15/15) for the Work Plan.

TECHNICAL JUSTIFICATION The proposal is technically justified to achieve the claimed benefits related to groundwater quality but

- is not fully supported by documentation that demonstrates the technical adequacy of the project or the physical benefits are not well described.

The projects are technically justified to achieve the primary benefit of reduced overall net nitrate loading of the groundwater as treated wastewater reduces the nutrients in the wastewater and treated wastewater is diverted for irrigation use where plants can utilize much of the remaining nitrate before it percolates beyond the root zone and into the groundwater. But,

- benefit descriptions for the recharge benefit are not consistently described. For example, the benefits for both projects include water supply benefits in the form of groundwater recharge to correct basin overdraft conditions. The applicant then states the opposite on page 7-1, that there is no additional net water recharged from the project.

Nowhere in the document is a net groundwater recharge claimed for either project. The citation on page 7-1 is correct.

- In addition, the technical justification does not address the fact that Project 1 (HDWD¹) could actually lessen the amount of groundwater recharge that currently exists from leach field disposal because wastewater will undergo treatment and disposal which will increase water loss from evaporation due to sludge drying activities and from effluent holding and percolation basins. Groundwater levels could continue to fall, impacting the availability of groundwater supplies. Imported water supplies may have to increase to meet deficits in groundwater supplies, and result in increased GHG emissions rather than lowering them as claimed.

. The Technical Justification on page 7-1 of the application (in Att_IG2_TechJust_1of8) states that the project will continue to recharge 1,400 acre-feet per year, and that there is no additional net water recharged and this benefit is not monetized. The Warren Valley Basin which Project 1 (HDWD¹) overlies is adjudicated, and is managed by HDWD as Watermaster. Increased reliance on existing supplies in the basin (even slightly, as in this proposal) will impose obligations on all adjudicated pumpers to reduce their use or purchase imported replacement water. The reviewer is correct that some increased replacement water could be required to offset evaporation from sludge drying and holding ponds. However, the benefit claimed in Section 7.1.2.2 of the application is for the avoided cost of importing 1,400 af/yr of SWP water should the Colorado River RWQCB mandate septic tank pumping and export out-of-basin to treatment facilities. If the evaporative loss is 5 percent, the avoided cost of replacement water import would be 20 times higher. The net energy use and GHG emissions would thus be significantly higher under this scenario, and the claimed benefit is reasonable.

BENEFITS AND COSTS ANALYSIS

Collectively the proposal is likely to provide a medium level of benefits in relationship to cost, but

- the quality of the analysis or clear and complete documentation is lacking.

Project 1 (HDWD¹) is economically justified by an alternative that would pump and remove wastewater from the region. The proposed project appears to be very cost effective for meeting the RWQCB mandate and the project appears to be economical.

- This without-project condition is not consistent with statements that imply, without-project, the septic systems could continue to operate.
- The transfer of water among regions is not a state benefit, but this is a small share of the claimed benefit.
- It would be nice to see how groundwater quality conditions would change in the future if nothing is done.

The reviewer has misinterpreted the without-project condition. The Colorado River RWQCB has mandated that Project 1 (HDWD¹) be constructed. The alternative of ignoring the RWQCB order would be a series of punitive measures designed to force compliance. For this analysis, it was assumed that mandatory bi-weekly septic tank pumping would be imposed similar to the measures imposed on the community of Los Osos when faced with a similar mandate. The pumped septage would be pumped to a wastewater treatment facility; there are none in the basin. This operation is not characterized as an out-of-basin water transfer and no benefit is claimed for this. The future groundwater conditions have been modeled extensively as part of the Morongo Basin adjudication.

Project 2 (VWVRA) would develop recycled water, but

- it is not clear how much water supply benefit should be claimed from the State perspective.

Claimed benefits applied to 4,480 AF at full project include replacement water purchase (\$515 per af), reduced groundwater pumping (\$215 per af), supplemental supply capital (\$895 per af) and main treatment plant cost savings (\$824 per af).

- First, if the entire 4,480 AFY could be provided by groundwater pumping and replacement water, then no supplemental supply capital should be required, so this appears to be a double-count.
- Second, wastewater is currently discharged into the Mojave River. Some of the wastewater effluent in the without-project condition is captured for beneficial use. If so, the potential water supply benefits of this project to the State are limited.

The reviewer is assuming that the existing water import system would be fully adequate to support without-project water needs. This is not true. The Mojave Basin Area Judgment² (adjudication) places obligations on pumpers to share the available supply and to purchase imported replacement supplies if they use more than their share. While the backbone import system (California Aqueduct, Mojave River Pipeline) is in place, facilities to percolate the imported water into groundwater aquifers still need to be planned, designed and constructed. It is the avoided cost of these recharge facilities that is being claimed as a supplemental supply capital benefit.

The reviewer is making assumptions about the current use of the treated wastewater stream. The current waste stream is discharged to the Mojave River² where some is evaporated, some is utilized by riparian vegetation, with only a portion continuing to the lower basin and recharging the aquifer. It is not known whether the evaporative losses from the current operation would be greater or lesser than that of the proposed operation. The adjudication requires minimum discharges to the Mojave River that must be met to meet downstream needs with or without the project. Project 2 (VWRA²) makes use of available flows above these minimum thresholds and eliminates the need to pump the quantity of water from depth, construct new recharge facilities, and pay for replacement water purchase. Project 2 also reduces the demand on the State Water Project providing greater supply resiliency for other SWP users.

PROGRAM PREFERENCES

Applicant claims that five program preferences and seven statewide priorities will be met with project implementation. However, applicant demonstrates high degree of certainty, and adequate documentation for five of the Preferences claimed:

- (1) Effectively integrate water management programs and projects within hydrologic region identified in the CWP; RWQCB region or subdivision or other region or sub-region specifically identified by DWR;
- (2) Address critical water supply or water quality needs of disadvantaged communities within the region;
- (3) Use and Reuse Water More Efficiently;
- (4) Protect Surface Water and Groundwater Quality; and
- (5) Ensure Equitable Distribution of Benefits.

The evaluation confuses Statewide Priorities with Program Preferences and does not acknowledge three of six claimed Program Preferences:

- (2) Effectively resolve significant water-related conflicts within or between regions;
- (3) Contribute to the attainment of one or more objectives of the CALFED Bay-Delta Program;
- (5) Effectively integrate water management and land use planning

*These program preferences were claimed for similar projects in MWA's Round 1 Implementation Grant Application, for which MWA was awarded a perfect score (10/10). The scoring criteria state that one-half point should be awarded for each program preference met plus one full point for addressing a critical water supply or water quality need of disadvantaged communities. It appears the score is under calculated by one point $(5*0.5+1)*\text{weight } 2=7 \text{ points}$.*